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UNCLAS SECTION 02 OF 03 SANO DOMINGO 001611

SIPDIS
SENSITIVE

E.O. 1295: N/A
TAGS: [ENRG](#) [ECON](#) [EINV](#) [DR](#)
SUBJECT: ELECIRICITY GENERATORS PREDICT A DARK DECEMBER IN
THEDR

* Missing Section 001 *

SANTODOMIN 10171611 002.3 OF 003

Roberto Herrera told Econoff that CESPM is panning to file a claim to invoke a sovereign guarantee in its contract with the distributors. If the government goes into default of this guarantee, he said that the company,s primary lender, Citibank, would likely ask BasicRD to cancel the contract, which could have drastic consequences for the Dominican Republic,s credit rating.

16. (SBU) Meanwhile, AES, the nation,s largest provider, cancelled its December gas shipment, which represents 20 percent of the total fuel purchase for 2008 at the 304-MegaWatt AES Andres plant. AES President Marco de la Rosa told the DCM that AES Andres has already reduced generation by 20 to 30 percent in light of the adjusted fueling schedule. Reducing output will require breaking the company,s contract with the distributors, and De la Rosa said his company was ready to take that step, citing defaulted invoices. He also noted that the AES home office had instructed him to cease all new investments in the country, which will mean cancelling a natural gas pipeline that would have enabled BasicRD to convert the CESPM plant to convert from diesel to natural gas.

Government responds with offer of partial payment

17. (U) On October 15, CDEEE Executive Vice President Radhames Segura announced that the government would provide USD 100 million in payments to the generators on October 25, while the distributors would provide an additional USD 16 million. However, Marinas told Econoff that Segura had not consulted his company regarding this latter sum and that EDE Este would not be able to contribute any funds to the October 25 payment. De la Rosa noted that this sum was a small amount that would be shared among all of the generators, while the debt owed to AES (USD 150 million for 2008 invoices and USD 80 million of the frozen debt) is more than double the total.

Light at the end of the tunnel?

18. (SBU) Herrera told Econoff that he believes the consequences of further non-payment would be devastating for all involved, especially Dominican electricity consumers. He therefore expects that the government will ultimately find

the cash to pay the generators, as it has in past months. He noted that the CDEEE paid USD 5 million of CESPM,s USD 26.7-million July invoice and has yet to make a dent in the USD 30-million August bill. Herrera added that the bright side to the company,s recent generation cutbacks is that the September invoice from CESPM is just USD 10 million. He said he expected to normalize the running debt by November.

¶9. (SBU) De la Rosa did not share the same level of optimism, noting that this was the gravest situation he had faced since taking the reigns at AES Dominicana last year, calling it &critical8. He said that with the cutbacks in generation, most homes in the Dominican Republic would be without power for at least 8 hours every day through the end of the year.

TCW arbitration case moves forward

¶10. (SBU) Marinas told Econoff that he does not believe that CDEEE has treated EDE Este differently than the fully state-owned distributors in terms of receiving its share of the subsidy., TCW, the company that owns 50 percent plus 1 of EDE Este, and its parent company, Societe Generale, have filed arbitration claims against the government under both the France-Dominican Republic Bilateral Investment Treaty and CAFTA-DR alleging that the GoDR,s treatment of its investment has greatly diminished the value of EDE ESTE. The claim seeks USD680 million in damages. Marinas told EconOff that he believes Segura, the head of CDEEE, who has not hid his disdain for TCW in recent press interviews, is attempting to turn public sentiment against TCW while strangling the company,s finances in the hopes that it will give up on its investment and leave the country. He added that while the other distributors could withstand nonpayment from the government because their debt is public debt, a private company could not afford to operate without accounting for its broad loss margin.

¶11. (SBU) Marinas complained to Econoff of government harassment coming from many fronts and said that while a few

* Missing Section 003 *
